

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7813

Petition of Vermont Public Power Supply Authority   )  
Pursuant to 30 V.S.A. § 108(a) for Approval to       )  
Issue Long-term Debt for the Purpose of               )  
Establishing an Operating Line of Credit Facility       )

Order entered: 12/7/2011

**I. INTRODUCTION**

On October 26, 2011, the Vermont Public Power Supply Authority ("VPPSA") filed a petition ("Petition") pursuant to 30 V.S.A. § 108(a) with the Vermont Public Service Board ("Board") for approval to issue long-term debt for the purpose of establishing an operating line of credit facility in the maximum amount of \$6 million (the "Facility"). VPPSA currently maintains a short-term revolving credit facility with KeyBank National Association ("KeyBank") also in the amount of \$6 million that is renewed annually. The existing facility is structured such that \$3 million is available for operating activities and a sublimit of \$3 million is available for the issuance of letters of credit that may be required to support purchase power contracts. The purpose of the transaction is to convert the existing credit facility from a one-year facility to a three-year facility so as to provide greater stability to VPPSA and its counterparties. The Petition was supported by the prefiled testimony of Crystal Currier, Controller for VPPSA, and by accompanying exhibits.

On November 14, 2011, the Vermont Department of Public Service (the "DPS") informed the Board that it had reviewed the Petition and supporting documentation. Based on its review, the Department recommended that the Board find VPPSA's request to replace its current short-term credit line with a long-term credit facility to be consistent with the general good of the state without hearing or further investigation.

On November 15, 2011, the DPS filed its Determination Under 30 V.S.A. § 202(f) finding that the issuance of long-term debt as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

I have reviewed the Petition, supporting testimony, and exhibits. I conclude that approval of VPPSA's Petition pursuant to 30 V.S.A. § 108(c) is appropriate and that such approval may occur without hearing. Based upon the evidence of record, including the DPS letters of November 14 and 15, 2011, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

## **II. FINDINGS**

1. VPPSA is a company as defined by 30 V.S.A. § 201 and as such is subject to the Board's jurisdiction pursuant to 30 V.S.A. §§ 108(a) and 5040. Petition at 1.

2. VPPSA provides power supply and other related services to its twelve municipal electric department members<sup>1</sup> and to other affiliates. Petition at 1.

3. VPPSA maintains a revolving line of credit facility with KeyBank in the amount of \$6 million. This facility is a short-term arrangement and is primarily used to support cash flow for daily operating expenditures and power purchase transactions. Specifically, the existing facility is structured such that \$3 million is available for operating activities and a sublimit of \$3 million is available for the issuance of letters of credit that may be required for power purchase agreements. The term of the existing facility is 364 days and is priced at an option of either the London Interbank Offered Rate ("LIBOR") plus 1.5%, or the Prime Rate plus 0.25%. Currier pf. at 2-3; exh. VPPSA-2.

4. Due to the extreme volatility experienced by the financial markets in recent years, financial institutions have imposed greater limitations on access to credit facilities in general. VPPSA proposes to convert and extend its existing short-term credit facility to a long-term,

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1. Barton Village, Inc. Electric Department, Village of Enosburg Falls Water & Light Department, Town of Hardwick Electric Department, Village of Hyde Park Electric Department, Village of Jacksonville Electric Company, Village of Johnson Water & Light Department, Village of Ludlow Electric Light Department, Village of Lyndonville Electric Department, Village of Morrisville Water & Light Department, Village of Northfield Electric Department, Village of Orleans Electric Department, and Swanton Village, Inc. Electric Department.

three-year facility so as to establish a long-term commitment from KeyBank, thereby providing greater certainty and stability to VPPSA and its relationships with counterparties. The proposed Facility will maintain all of the same terms and conditions as the existing credit facility, except that the expiration shall be converted to a three-year term. *Id.*

5. VPPSA believes that the proposed Facility will help VPPSA preserve and maintain its current long-term credit rating of A3 with Moody's Investor Services ("Moody's"). A key component of Moody's rating methodology is to evaluate availability of access to credit facilities, and the extent to which VPPSA has established long-term relationships. Converting and extending the existing credit facility to a three-year term will help VPPSA meet that standard, and provide comfort to those with which VPPSA conducts business, by establishing additional financial certainty and stability to the organization. *Id.*

### **III. DISCUSSION**

Based upon the findings and the evidence in the record, I find that VPPSA's request to convert and extend its existing revolving line of credit with KeyBank from a short-term credit facility to a long-term, three-year credit facility will be consistent with the general good of the state. The proposed Facility will provide stability to VPPSA and strengthen its ability to preserve its current credit rating, allowing VPPSA to maintain its relationships with power supply counterparties and to obtain favorable power deals that benefit its members and their ratepayers. I therefore recommend that the Board grant approval of VPPSA's request to issue long-term debt for the purpose of converting and extending its existing short-term credit facility to a three-year revolving credit facility under existing terms and conditions.

The parties have waived the opportunity for review of the Proposal for Decision, briefing, and oral argument, in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont this 1<sup>st</sup> day of December, 2011.

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Jay E. Dudley  
Hearing Officer

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The terms and conditions proposed by the Vermont Public Power Supply Authority ("VPPSA") to convert and extend its existing revolving credit facility of \$6 million to a long-term, three-year credit facility with KeyBank as lender, as described in the findings above, are consistent with the general good of the state, and are hereby approved pursuant to 30 V.S.A. § 108(a).

2. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that VPPSA may implement. Nothing in this approval shall preclude the Vermont Department of Public Service ("Department") or any other party, or the Public Service Board ("Board"), from reviewing and/or challenging those expenditures and/or VPPSA's resulting capital structure in any future proceeding.

3. VPPSA shall provide the Board and the Department with a complete set of final executed documents when they are available.

4. VPPSA shall inform the Board and the Department of any material change in the terms and conditions of the proposed financing, if any, prior to closing.

Dated at Montpelier, Vermont, this 7<sup>th</sup> day of December, 2011.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: December 7, 2011

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*